

November 3, 2021

FOR YOUR INFORMATION

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager



Subject: Investigation into Electronic Funds Transfer to DOTE Contractor

Late last week, the Administration was alerted to suspected fraudulent activity relating to an approximately \$137,000 construction draw payment intended for a Department of Transportation and Engineering contractor.

Upon being alerted by the contractor that the payment was not transmitted, Internal Audit commenced an investigation and uncovered evidence that the City received a fraudulent communication from a third-party who impersonated the contractor's office administrator. The counterfeit communication requested an update to the company's electronic fund transfer information for an upcoming construction draw, and it ultimately resulted in an approximately \$137,000 payment being processed in September based on the false request and information.

Upon discovery of the suspected fraudulent activity, the City Administration commenced an investigation, alerted law enforcement, has taken and will continue to take all action possible to recover the funds, and immediately put in place additional safeguards to ensure that similar fraudulent activity is detected prior to completion of any payments to City vendors. This includes an internal audit of all vendor requests to update electronic fund transfer information over the last six months. Additionally, in the future the City will make a secondary direct contact with any vendor seeking to change electronic fund transfer information to ensure the request is legitimate and authorized.

On average, the City completes nearly 24,000 electronic fund transfers per year, making this occurrence extremely rare. We will remain vigilant and continue to review safeguards to ensure proper stewardship of public funds, and continue to provide updates as more information becomes available.
